

Message Text

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ACTION COME-00

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FM AMCONSUL BELIZE

TO SECSTATE WASHDC 3489

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E.O. 11652: N/A

TAGS: BEXP

SUBJECT: CAP: AGRICULTURAL EQUIPMENT

REF: BELIZE 018

1. THE DEVELOPMENT FINANCE CORPORATION (DFC) HAS INFORMED THE CONSULATE GENERAL THAT IT INTENDS TO FINANCE APPROXIMATELY DOLS 600,000 OF AGRICULTURAL AND FORESTRY EQUIPMENT THIS CALENDAR YEAR. THE MONEY FOR THIS LENDING PROGRAM, WHICH IS DIRECTED AT THE MEDIUM-SIZED FARMER, IS BEING PROVIDED BY THE CARIBBEAN DEVELOPMENT BANK. WHILE ALL THE DONORS TO THE BANK WILL HAVE THE OPPORTUNITY TO BID FOR THIS EQUIPMENT, DFC IS LEANING TOWARD U.S. SUPPLIERS FOR TWO REASONS:

A. WHILE U.S. PRICES ARE SOMEWHAT HIGHER, THESE PRICES ARE MORE THAN OFFSET BY LOWER TRANSPORTATION COSTS.

B. BECAUSE OF ITS PROXIMITY TO BELIZE, U.S. SUPPLIERS CAN PUT REPLAVPTO BELIZE MUCH QUICKER THAN OUR COM-PETITORS. THIS MEANS THAT U.S. EQUIPMENT HAS THE ADVANTAGE OF MORE HOURS OF OPERATION PER YEAR AND DEALERS HERE CAN CARRY SMALLER INVENTORIES.

2. AFTER CHECKING WITH LOCAL DEALERS WE FIND THAT THE DFC LENDING PROGRAM WILL PROBABLY BE 90 PERCENT OF THE INCREMENTAL MARKET IN THIS SORT OF EQUIPMENT THIS YEAR. AGAIN THERE ARE TWO REASONS:

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A. THE INCREMENTAL MARKET HERE WITHOUT THE DFC PROGRAM IS VERY SMALL. HOWEVER, THE PROGRAM MAKES AVAILABLE DOLS 600,000 WHICH SIMPLY WERE NOT THERE BEFORE.

B. DFC TERMS AND INTEREST RATES ARE MUCH BETTER THAN THOSE OFFERED BY COMMERCIAL BANKS. THUS, MANY MORE FARMERS CAN BORROW THAN COULD BEFORE.

3. THE MANAGER OF DFC, MR. RAY FULLER, AND I HAVE DISCUSSED THE POSSIBILITY OF OBTAINING A COOPERATIVE FINANCING FACILITY FROM THE EXPORT-IMPORT BANK FOR DFC. WITH SUCH A FACILITY DFC COULD OBTAIN MUCH MORE LEVERAGE WITH ITS CDB FUNDS. FULLER UNDERSTANDS THAT ANY EX-IM MONEY WOULD HAVE TO BE USED TO BUY U.S. GOODS AND SERVICES. FULLER SAYS THAT THE GOB WOULD GIVE ITS FULL FAITH AND CREDIT TO BACK UP ANY MONIES BORROWED FROM EX-IM BANK. THIS IDEA OPENS UP THE POSSIBILITY OF DOLS 1,200,000 IN INCREMENTAL EXPORTS INSTEAD OF DOLS 600,000.

ACTION REQUESTED: THAT USDOC EXPLORE THE COOPERATIVE FINANCING FACILITY POSSIBILITY WITH EX-IM BANK. A COPY OF DFC'S ANNUAL REPORT AND A LIST OF ITS REQUIREMENTS IS BEING SENT BY POUCH TO MR. HAIDAR AT COMMERCE. DRISCOLL

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